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Report to Congressional Requesters

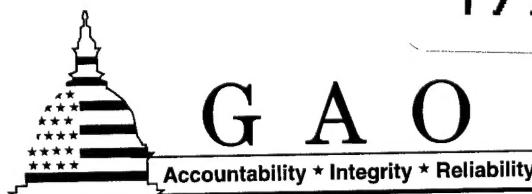
October 1999

DEFENSE INVENTORY

Management of Repair Parts Common to More Than One Military Service Can Be Improved



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GAO/NSIAD-00-21

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Abbreviations

DOD	Department of Defense
DOD-IG	Department of Defense Inspector General



United States General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-280313

October 20, 1999

The Honorable Tom Harkin
The Honorable Richard Durbin
United States Senate

The Honorable Peter DeFazio
The Honorable Carolyn B. Maloney
House of Representatives

This report is one in a series of reports on the Department of Defense's (DOD) management of secondary inventory—spare and repair parts, clothing, medical supplies, and other items that support DOD's operating forces on land, at sea, and in the air.¹ We have identified the management of defense inventory as a high-risk area.² Past reports have identified management weaknesses that make some portion of DOD's inventory vulnerable to waste and inefficiency. As requested, we reviewed DOD's management of identical repairable parts used by more than one DOD component (hereafter referred to as identical parts).³ Over 57,000 identical parts, with an estimated value of \$4 billion, are used and typically managed by more than one service. They include such supply items as hydraulic pumps, computer circuit card assemblies, wing sections, and landing gear. This report discusses (1) DOD's progress in correcting problems in the management of identical parts and (2) opportunities to improve

¹See Related GAO Products at the end of this report.

²In 1990, we began a special effort to review and report on the federal program areas that we identified as high risk because of vulnerabilities to waste, fraud, abuse, and mismanagement. This effort, which was supported by the Senate Committee on Government Affairs and the House Committee on Government Reform, brought a much needed focus on problems that were costing the government billions of dollars. We identified inventory management as high risk in our 1992, 1995, 1997, and 1999 high-risk reports because of the high levels of inventory in excess of current needs and the lack of adequate systems for determining inventory requirements.

³DOD refers to these parts as multiservice repair items. Each identical item has a unique national stock number. National stock number refers to a 13-digit stock number that DOD and other agencies use to identify and manage items of supply. It consists of a four-digit federal supply class that designates the general commodity grouping of the item and a nine-digit item identification number that differentiates one supply item from another.

management of these parts. The scope and methodology of our work can be found in appendix I.

Results in Brief

DOD initiatives dating to the early 1970s to improve the management of identical parts have been largely ineffective. Many identical parts continue to be managed by more than one service, even though opportunities for savings and management efficiencies exist by using a single manager when there are multiple users of the same part. While we cannot precisely quantify the savings from improving management of identical parts, our current work and past DOD studies showed that they would be considerable. For example, our analysis of 7,683 identical parts, with assets on hand valued at \$474 million, showed that they should have been managed by one DOD component. This condition is similar to what existed in 1995 when the DOD Inspector General reported that the primary inventory manager did not have information on over \$400 million in assets held by the other services and that over \$140 million of these assets could have been used to fill the needs of the primary manager.

Due to planning and management weaknesses, the DOD initiatives have not been successful in moving to an approach that would result in a single manager performing all inventory management functions. These weaknesses include not developing an implementation plan that contains performance objectives, milestones, and outcome measures linked to DOD's Logistics Strategic Plan, and not establishing oversight accountability for implementing the single manager approach Department-wide. These weaknesses are similar to long-standing problems noted in our high risk reporting on DOD's inventory management that have hindered other major inventory management improvement initiatives.

We are recommending that the Secretary of Defense establish DOD-wide goals to improve the management of identical parts and develop an implementation plan with short- and long-term actions to guide accomplishment of these goals. Further, clear accountability for overseeing the execution of the implementation plan should be established.

Background

DOD has had inventory management problems for decades. In 1990, we identified DOD's management of secondary inventories as a high-risk area because levels of inventory were too high and management systems and procedures were ineffective. While some improvements have been made,

particularly in the management of medical, food, and clothing items, these general conditions still exist. Program implementation problems have resulted largely from long-standing issues that have hindered other major management initiatives. These issues include cultural resistance to change; service parochialism; and lack of outcome-oriented goals, performance measures, and management accountability.

Inventory management problems have been identified in many areas. One problem relates to missed opportunities to standardize parts that have different stock numbers but actually are very similar. This report focuses on identical parts that have one stock number but have more than one manager. Managing parts includes functions such as determining what is needed; buying needed parts; and storing, maintaining, distributing, and disposing of these parts once they are received. DOD policy is to have a single manager to handle these functions for each item. Although DOD's goal is to have a single manager for identical parts used by more than one service, this goal has not been achieved. DOD has divided these management functions between what it refers to as a primary inventory control activity and a secondary inventory control activity (hereafter referred to as primary manager and secondary manager). The primary manager is responsible for most of the inventory management functions; however, the secondary manager retains some functions such as developing supply support requirements.

The Deputy Under Secretary of Defense (Logistics) is responsible for providing policy and guidance on inventory management in DOD. The DOD components are responsible for the day-to-day inventory management operations. In December 1994, the Deputy Under Secretary established a Nonconsumable Integrated Materiel Management Committee to improve the management of repair parts. Repairable parts are generally expensive and can be fixed and used again. The Deputy Under Secretary chairs a senior steering group, comprised of senior logistics personnel from DOD and its components, that is responsible for overseeing the work of the committee.

DOD's inventory of secondary items contained a reported 524,396 repairable parts as of February 1999. Almost 90 percent of the repairable parts are used by only one service, and management functions are handled by that service. The other 57,429 repairable parts are used and, to varying degrees, managed by more than one service. The number of identical parts used by more than one service has not changed significantly since October

1995, remaining steady at about 11 percent of total repairables, as shown in table 1.

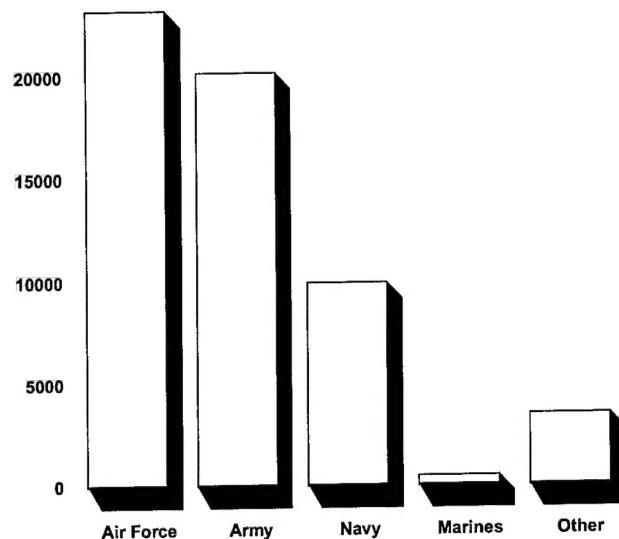
Table 1: Repairable Parts Used by More Than One Service

Date	Total repairables	More than one service	Percent
October 1995	552,772	60,315	10.9
October 1996	550,645	63,819	11.6
November 1997	537,319	59,131	11.0
June 1998	530,550	58,879	11.1
October 1998	528,255	58,202	11.0
February 1999	524,396	57,429	11.0

Figure 1 shows the primary manager assignments for identical parts used by more than one service as of February 1999. The number of primary managers does not represent inventory management personnel because individual inventory managers have more than one part assigned to them. DOD records indicate that these identical parts are valued at a latest acquisition cost of almost \$4 billion.

Figure 1: Primary Manager Assignments for Identical Parts

25000 Number of parts



Note: Organizations in the "Other" category include the Defense Logistics Agency and civilian agencies such as the Federal Aviation Administration and the National Weather Service.

Improvement Initiatives Have Not Been Successful

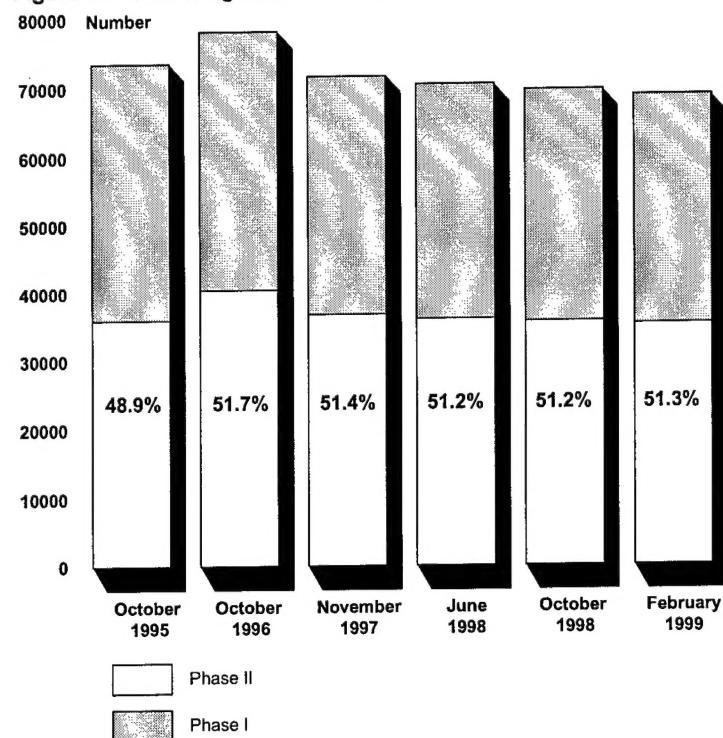
DOD initiatives to improve the management of identical parts have been largely ineffective. Many identical parts continue to be managed by more than one service, even though opportunities for savings and management efficiencies exist by using a single manager when there are multiple users of the same part. While we cannot precisely quantify the savings from improving management of identical parts, our current work and past DOD studies showed that they would be considerable.

Management Initiatives Have Yielded Minimal Progress

Although DOD has had initiatives dating to the early 1970s to improve management of identical parts, they have not accomplished the results DOD wants, leaving some portion of this inventory vulnerable to waste and inefficiency. DOD initiatives to improve the management of identical parts involves a two-phased process. Under the phase one process, the primary manager handles cataloging, procurement, disposal, and where

appropriate, maintenance, while a secondary manager develops supply support requirements for its users and sends them to the primary manager. The secondary manager also maintains stocks and issues them to its users. Under the phase two process, the primary manager performs most of the inventory management functions required of a single inventory manager. In addition to carrying out all of the functions described for a primary manager in phase one, the primary manager stocks, stores, and issues repair parts and establishes, budgets, and funds stock requirements for all secondary users. The secondary manager still determines some requirements and submits them to the primary manager for consolidation with the requirements of other users.

Even though DOD's goal is to have a single manager for each identical part, its two-phased initiatives are interim steps toward achieving this goal. Notwithstanding these initiatives, many identical parts are still in phase one and none are managed under the single manager approach. In fact, under the two-phase process the number of phase two secondary manager assignments stayed at about 51 percent from October 1996 to February 1999, as indicated in figure 2. The number of secondary managers shown in the figure does not represent inventory manager personnel because individual inventory managers have more than one part assigned to them. Also, although each identical part has one primary manager, it may have more than one secondary manager. For this reason, of the 57,429 identical parts in February 1999, there were 11,322 parts with three or more users.

Figure 2: User Assignments for Identical Parts

Potential Savings Can Be Obtained Through Improved Management

If DOD moves more identical parts from phase one into phase two, and ultimately to a single manager approach, the resulting improved management can provide potential savings. Although we cannot precisely quantify the overall savings, past DOD Inspector General (DOD-IG) reports and our current work show that waste and inefficiencies continue.

We analyzed June 1998 Defense Logistics Information Service cataloging data on identical parts in phase two and found that the secondary managers had parts on hand that should have been in the hands of the primary manager as prescribed by DOD regulations. These assets were valued at nearly \$474 million for 7,683 parts. For over 1,000 of these parts, the primary manager had no assets to meet current needs while the secondary managers had assets on hand valued at nearly \$47 million. DOD also identified a number of secondary managers holding assets that should have been held by the primary managers, according to the February 1999

minutes of the DOD Nonconsumable Integrated Materiel Management Committee.

We reviewed a judgmental sample of 38 identical parts, each of which was used by the Army, the Navy, and the Air Force. Of these parts, 13 were in phase one and 25 were in phase two. We found that secondary managers for 22 of the 25 parts had assets on hand that they should not have because, according to the applicable DOD regulation, the primary manager stocks, stores, and issues the parts. For example, two secondary managers had 107 radio receivers on hand, valued at \$783,000, even though the primary manager had 598 receivers on hand, valued at \$4.1 million. In another case, a secondary manager had 12 radar receiver-generators on hand, valued at \$3.2 million, while the primary manager had 43 on hand, valued at \$9.4 million. Parts in the hands of secondary managers create the potential for unnecessary procurements because primary managers may not be aware of these assets. Several item managers, in their role as a primary manager, told us that they did not have information on the amount of inventory held by the secondary managers.

The DOD-IG issued four reports over the 13-year period ending 1995 that discussed problems and issues in the area of identical parts.⁴ The reports contained recommendations for improvement, and DOD promised corrective actions. However, our current work shows that problems still exist. Findings from the DOD-IG audits ranged from basic operational issues among the services to the primary manager unnecessarily procuring assets when the secondary manager had assets on hand. The 1995 report noted that the primary managers did not have information on over \$400 million in assets held by the secondary managers. Over \$140 million of these assets could have been used to fill the inventory needs of the primary manager. In addition, the report discussed unnecessary procurements, required inventory being disposed of, and excess inventory not being disposed. Similar points were made in a 1992 DOD-IG report.

⁴*Management of Common Use Repairable Items in the Department of Defense* (DOD-IG Report No. 95-303, Sept. 1, 1995).

Management of Repairable Items Used by More Than One Service (DOD-IG Report No. 92-071, Apr. 7, 1992).

Procurement of Repairable Items Used by More Than One Service (DOD-IG Report No. 86-067, Feb. 18, 1986).

Management of Nonconsumable Items Used by More Than One Service (DOD-IG Report No. 83-053, Dec. 17, 1982).

A recent DOD-IG audit report, issued in May 1999, dealt with the disposal of identical parts.⁵ A main finding of that review was that secondary managers were disposing of assets without notifying the primary manager. As a result, the primary manager was purchasing parts at the same time the disposal actions were occurring. The report stated that procurements could have been avoided if procedures were followed and secondary managers notified primary managers of their asset disposal plans.

Moreover, savings could result if DOD eliminated the multiple levels of management under the primary/secondary manager process and moved to a single manager for identical parts. According to the minutes of a September 1998 meeting, the DOD Nonconsumable Integrated Materiel Management Committee discussed moving toward a global, or single, manager concept for identical parts, where the role of the secondary manager is eliminated. In a July 1998 briefing, the Air Force, in particular, questioned the need for secondary managers and advocated single managers for identical parts. Eliminating secondary managers would make management of repairables similar to the Defense Logistics Agency's single management of consumables (supply items that are used and discarded when their useful life is completed). The Defense Logistics Agency is the single manager for most of the 4.3 million consumables in the DOD supply system.

Opportunities for Improvement Exist by Addressing Planning and Management Weaknesses

While DOD in the past has established goals to improve the management of identical parts, DOD initiatives have not been successful in moving to a single manager approach. The lack of progress in reaching the program goals stems largely from a lack of sustained and clearly formulated commitment to the program. Key management actions needed to guide program implementation were absent. These include a lack of implementation plans containing performance objectives, milestones, and outcome measures linked to a DOD-wide Logistics Strategic Plan, and not establishing oversight accountability for the improvement efforts. These weaknesses are similar to long-standing issues noted in our high risk reporting on DOD's inventory management that have hindered other major management initiatives.

⁵*Interservice Availability of Multiservice Used Items* (DOD-IG Report No. 99-159, May 14, 1999).

DOD periodically issues Logistics Strategic Plans to provide a DOD-wide guide to the operation of the logistics process. Its efforts to improve the management of identical parts were emphasized in the fiscal year 1995 DOD Logistics Strategic Plan, which set a goal to move identical parts from phase one to phase two by October 1996. This second phase would have a primary manager assigned to perform almost all of the inventory management functions for all DOD components. A similar goal to fully implement the second phase by October 1997 was included in the Logistics Strategic Plan for fiscal years 1996/97. Moreover, another aspect of this goal was to implement a single (or "global") manager concept for identical parts, thus eliminating the primary/secondary manager process.

However, implementation plans with performance objectives, milestones, time frames, and outcome measures—such as improved efficiency, reduced costs, and better service to the customer—were not developed and none of these goals were achieved. Also, comprehensive cost data associated with the management of identical parts by more than one service was not developed. The 1996/97 DOD Logistics Strategic Plan contained a strategy to perform a study to determine the costs of duplication due to primary/secondary manager assignments, but the study was not done. Goals were not included in the most recent plan—the fiscal year 1998 Logistics Strategic Plan.

The DOD Nonconsumable Integrated Materiel Management Committee formed in December 1994 to renew the efforts begun 20 years earlier to improve management of identical parts has provided limited management oversight. The activities of the committee, which consists of mid-level managers from the DOD components, have been sporadic. The committee met frequently in 1995 but less frequently thereafter. While the committee reports to a senior logistics steering group chaired by the Deputy Under Secretary of Defense (Logistics), the activities of the committee have not been on the agenda of this oversight steering group.

Several issues that cut across service lines evidence the lack of top level management attention that has been provided in this area. More specifically, these issues point out the need for an implementation plan that contains short- and long-term actions to address the underlying obstacles to more efficient management of identical parts. Identifying assets held by secondary managers is one major example. Further, the services find it difficult to track their assets in the hands of another service for repair and experience difficulties in receiving credit for assets turned in for repair in exchange for functioning assets. The DOD Nonconsumable Integrated

Materiel Management Committee has been dealing with these issues for many years but has not yet resolved them. In some cases, incompatible data systems contribute to the problems. However, the lack of implementation plans monitored by an active oversight body results in no accountability for progress toward the long-standing DOD goal of improving the management of identical parts.

Conclusions

Although DOD in the past has established goals to improve the management of identical parts, DOD initiatives were not successful in moving to a single manager approach. The lack of progress in reaching the program goals stems largely from a lack of sustained and clearly formulated commitment to the program. Key management actions needed to guide program implementation were absent. These include a lack of implementation plans containing performance objectives, milestones, and outcome measures linked to a DOD-wide Logistics Strategic Plan, and not establishing oversight accountability for the improvement efforts. As a consequence, segments of DOD's inventory management system remain vulnerable to inefficiency and waste.

Recommendations

In order to address the systemic management weaknesses that have hindered DOD's progress toward achieving a single manager for identical parts, we recommend that the Secretary of Defense take the following actions.

- Establish goals to support the next DOD Logistics Strategic Plan designed to improve management of identical parts by moving to a single manager approach.
- Develop an implementation plan that addresses short- and long-term actions to improve the management of identical parts. Short-term actions should include improvements in communications and reporting and long-term actions should include the elimination of primary and secondary managers so that a single manager will manage identical parts. The implementation plan should contain performance objectives, milestones, timetables, and outcome measures that support the Logistics Strategic Plan. The plan should provide outcome measures, such as improved efficiency, reduced costs, and better service to the customer.

-
- Establish clear accountability for Department-wide oversight and component execution of the implementation plan and achievement of desired results.

Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD partially agreed with the report and our recommendations. (See app. II for DOD's complete comments.) The Department agreed that continuous improvements are needed in the management of repair parts, especially identical parts with more than one user. The Department stated, however, that a single manager approach by item is not feasible until a more modernized information system is developed. We agree that implementation of a Department-wide modernized information system would facilitate the effectiveness of the single manager approach to managing identical parts. However, modernizing information systems will require a lengthy period of time. Consequently, we have modified our report recommendations to reflect both short- and long-term solutions for improving the management of identical parts.

With regard to our recommendation that a goal be established to improve management of identical parts to support the next Logistics Strategic Plan, DOD stated that one of the goals of the Nonconsumable Integrated Materiel Management Committee has been to improve the management of identical parts by moving to a single manager approach where feasible. The Department stated, however, that this approach is rarely the best because costly changes to existing information systems are required. According to DOD, while improvements have been made in data sharing between primary and secondary managers, there will continue to be a small number of items with multiple managers until information systems can be modernized.

While we agree that the single manager approach would be facilitated by improved information systems, improved systems are not necessary to taking action now to provide opportunities for savings and management efficiencies. For example, improvements can be made by (1) improving communications using telephonic or fax capability before initiating procurement, repair, or disposal actions; (2) having secondary managers provide periodic manual reports to primary managers on their on-hand inventories; and (3) making cost-effective interim changes to existing information systems, such as improving compatibility between existing systems. As a result, we have not made any specific changes to the recommendation on the basis of DOD's comments. Our recommendation is

directed toward establishing a goal to support the next Logistics Strategic Plan and is consistent with the Department's past actions in setting goals for identical parts management in the 1995 and 1996/1997 Logistics Strategic Plans. This goal could be the basis for guiding an implementation plan designed to make short- and long-term improvements to the management of identical parts.

In commenting on our recommendation to develop an implementation plan for managing identical parts by a single manager, DOD agreed that implementation plans that include outcome measures such as improved efficiency, reduced costs, and better services to the customer are factors of success. However, the Department reiterated that the single manager approach is rarely feasible because costly changes to existing systems are required and stated that an implementation plan to move all items to this concept would be inappropriate at this time. It also stated that improvements in data sharing have been made but further improvements require Department-wide modernized information systems. As previously stated, we believe there are opportunities to take interim measures at this time as well as work toward long-term solutions. We have, therefore, modified our recommendation to recognize the need for an implementation plan that includes performance objectives, milestones, timetables, and outcome measures covering short- and long-term measures.

With regard to our recommendation to establish clear accountability for oversight and execution of the implementation plan, the Department stated that this will be done as implementation plans are developed for systems or items moving to a new management concept. However, DOD did not explain the new management concept and again cited the need to first modernize its information system before a single manager approach could be implemented. In addition, the Department's comments did not address the accountability and oversight problems that exist under the current management structure. Accordingly, we continue to believe that establishing clear accountability and oversight now is critical to implementing short- and long-term solutions to the problems we identified. Therefore, we have not modified our recommendation.

As arranged with your offices, we plan no further distribution of this report until 7 days from its issue date unless you publicly announce the report's contents earlier. At that time, we will send copies of this report to the appropriate congressional committees; the Honorable William S. Cohen, Secretary of Defense; the Honorable Louis Caldera, Secretary of the Army;

the Honorable F. Whitten Peters, Secretary of the Air Force; the Honorable Richard Danzig, Secretary of the Navy; General James L. Jones, Commandant of the Marine Corps; Lieutenant General Henry T. Glisson, Director, Defense Logistics Agency; and the Honorable Jacob J. Lew, Director, Office of Management and Budget.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Key contributors to this report are Charles Patton, James Murphy, Gerald Thompson, and George Surosky.



David R. Warren, Director
Defense Management Issues

Scope and Methodology

To obtain an overall perspective on the magnitude of the parts managed by more than one service, we analyzed reports prepared by the Defense Logistics Information Service, Battle Creek, Michigan, and information in Segment B of the Federal Logistics Information System as of June 1998. We also obtained from the services their Master Data Records/Files as of February and March 1999 and calculated an inventory value for those parts managed by more than one service.

To evaluate the Department of Defense's (DOD) progress in correcting problems in the management of identical parts and identify opportunities to improve management of these parts, we reviewed pertinent documents and interviewed DOD officials. We contacted officials located at Army Headquarters, Washington, D.C.; Naval Supply Systems Command, Mechanicsburg, Pennsylvania; and Air Force Materiel Command, Wright-Patterson Air Force Base, Ohio. We interviewed the chairperson of the Nonconsumable Integrated Materiel Management Committee in the Office of the Deputy Under Secretary of Defense (Logistics), Washington, D.C. These offices provided us with documents and information on the efforts to eliminate dual management of parts by more than one service. We also reviewed the reports issued on this subject by the DOD Inspector General.

We analyzed the September 30, 1997, inventory stratification reports for the Army, the Navy, and the Air Force for overall data regarding parts used by more than one service. We used this data to identify identical parts being used by more than one service and developed four matches between the services—Army and Navy; Army and Air Force; Air Force and Navy; and Army, Navy, and Air Force.

We selected a judgmental sample of 38 parts from the data match among the Army, the Navy, and the Air Force. We selected those parts that had the highest inventory on-hand, highest unit price, highest inventory on order, and highest requirements at representative inventory control points in each service. Using information from the Federal Logistics Information System, we identified for these parts their primary and secondary inventory control points.

We held discussions and collected information from item managers and analyzed inventory records during visits to the Army's Communications-Electronics Command, Fort Monmouth, New Jersey; the Air Force's Warner Robbins Air Logistics Center, Georgia; and the Naval Inventory Control Point, Philadelphia, Pennsylvania. In addition, we collected and analyzed

Appendix I
Scope and Methodology

records from the Naval Inventory Control Point, Mechanicsburg, Pennsylvania. We also met with other inventory control officials, as needed, to discuss various subjects and concepts related to the overall management of parts used by more than one service. In collecting data on individual sample items, we used the same data the services use for inventory management, reporting, and budgeting purposes. We did not validate the data from the various systems cited above.

This review concentrated on identical parts with the same stock number. There are other parts in the DOD supply system that are very similar, or even identical, but have different stock numbers. Because the stock numbers are different, identification of these parts would take a major effort. As a result, we did not include these parts in the current review. However, prior DOD studies have identified opportunities to standardize them.

We performed our review between May 1998 and July 1999 in accordance with generally accepted government auditing standards.

Comments From the Department of Defense



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

SEP 21 1999

(LJ/SCI)

Mr. David R. Warren
Director, Defense Management Issues
National Security and International Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DEFENSE INVENTORY: Management of Repair Parts Used by More Than One Service Can Be Improved." Dated August 2, 1999 (GAO Case 709341), OSD Case 1868. The DoD partially concurs with the draft report.

We agree with the GAO that continuous improvements are needed in repairable management, especially those items with more than one user. However, an internal single manager approach by item is not feasible, due to costly legacy system changes that are required, until the department can move towards a modernized information system.

The DoD comments to the recommendations are provided in the enclosure. Technical comments were provided to the GAO under separate cover. The Department appreciates the opportunity to comment on the draft report.

Sincerely

Roger W. Kallock
Deputy Under Secretary
of Defense (Logistics)

DOD RESPONSE TO
GAO DRAFT REPORT - DATED AUGUST 2, 1999
GAO CODE 709341/OSD Case 1868

RECOMMENDATION 1: Establish goals to support the next DoD Logistics Strategic Plan designed to improve management of identical parts by moving to a single manager approach.

DOD RESPONSE: Partially concur. The NIMMC is chartered to look at the internal management of reparables. One of the goals of the NIMMC has always been to improve management of identical parts by moving to a single manager approach where feasible. The Logistics Strategic Plan is written at a strategic level as opposed to the level of detail this recommendation would suggest but does include reengineer/modernize applicable logistics processes/systems. The basis for any reengineering effort connects back to the DOD Logistics Strategic Plan Mission: To provide responsive and cost-effective support to ensure readiness and sustainability for the total force across the spectrum of military operations. We will continue to move towards this mission through the many initiatives that are currently underway. However, moving towards the GAO's recommendation of an internal single manager approach by item is rarely the best approach given the costly legacy systems changes required to implement. While we have made improvements in data sharing between the PICA and SICA prior to executing a buy or disposal action, we will continue to have the small number of items remaining as PICA/SICA until the Department can move towards a modernized information system. Our strategy continues to be implementing those improvements where the Department's costs are worth the gain.

RECOMMENDATION 2: Develop an implementation plan for managing identical parts by single manager that includes performance objectives, milestones, timetables, and outcome measures that support the Logistics Strategic Plan. For example, the plan should address the elimination of primary and secondary managers and provide outcome measures, such as improved efficiency, reduced costs, and better service to the customer.

DOD RESPONSE: Partially concur. We fully agree that implementation plans which include outcome measures such as improved efficiency, reduced costs, and better services to the customer is a factor of success. However, as stated above, an internal single manager approach is rarely feasible given the costly legacy systems changes required to implement. For this reason, an implementation plan to move all items to this concept would be inappropriate. The department has addressed requirements needed if we were to move to this concept and we have made improvements in data sharing between the PICA and SICA. Further improvements require department wide modernized information systems.

RECOMMENDATION 3: Establish clear accountability for department-wide oversight and component execution of the implementation plan and achievement of desired results.

DOD RESPONSE: Partially concur. As implementation plans are developed for systems or items to move to a new management concept accountability of oversight and execution are two areas that are given great consideration and are addressed appropriately. However, as previously stated to the GAO and in comments above, the single manager approach is rarely feasible given the costly legacy systems changes and PICA/SICA will continue for some small number of items until modernized information systems are implemented department-wide.

Related GAO Products

Defense Inventory: Status of Inventory and Purchases and Their Relationship to Current Needs ([GAO/NSIAD-99-60](#), Apr. 16, 1999).

Defense Inventory: DOD Could Improve Total Asset Visibility Initiative With Results Act Framework ([GAO/NSIAD-99-40](#), Apr. 12, 1999).

Defense Inventory: Navy's Procedures for Controlling In-Transit Items Are Not Being Followed ([GAO/NSIAD-99-61](#), Mar. 31, 1999).

Major Management Challenges and Program Risks: Department of Defense ([GAO/OCG-99-4](#), Jan. 1999).

High Risk Series: An Update ([GAO/HR-99-1](#), Jan. 1999).

Inventory Management: More Information Needed to Assess DLA's Best Practices Initiatives ([GAO/NSIAD-98-218](#), Sept. 2, 1998).

Navy Inventory Management: Improvements Needed to Prevent Excess Purchases ([GAO/NSIAD-98-86](#), Apr. 30, 1998).

Inventory Management: DOD Can Build on Progress by Using Best Practices for Reparable Parts ([GAO/NSIAD-98-97](#), Feb. 27, 1998).

Defense Inventory Management: Expanding Use of Best Practices for Hardware Items Can Reduce Logistics Costs ([GAO/NSIAD-98-47](#), Jan. 20, 1998).

Defense Inventory: Inadequate Controls Over Air Force Suspended Stocks ([GAO/NSIAD-98-29](#), Dec. 22, 1997).

Defense Logistics: Much of the Inventory Exceeds Current Needs ([GAO/NSIAD-97-71](#), Feb. 28, 1997).

Defense Inventory: Spare and Repair Parts Inventory Costs Can Be Reduced ([GAO/NSIAD-97-47](#), Jan. 17, 1997).

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